

# U. S. Funds Gave McCone Big Start

By Drew Pearson

President Kennedy has picked some A-1 men for high office—some of the best in the past two decades. But the President must have had his mind on the Berlin crisis when he picked John A. McCone to head the giant Central Intelligence Agency, which has a vital influence over American foreign policy.



Pearson

Looking back over McCone's past, he has a record for making money out of Uncle Sam unequaled by any other man now in Government. The record is all spelled out in congressional hearings.

Cross-examined regarding his shipbuilding partnership with Henry Kaiser interests at San Francisco during the war, McCone admitted to the House Merchant Marine Committee that the Government had put up almost all the capital for their California Shipbuilding Co., of which McCone was president. It netted around a 44-million-dollar profit.

"What was the total cost to the Government of building your yard?" asked committee counsel Marvin Coles.

"Some \$25 million," replied McCone.

"How much of your corporation were in-

vested in the physical yard?" "Very little, very little," replied the president of the company.

"Were there any profits to subcontractors?"

"Oh yes, there must have been."

## A Wonderful Deal

"Did any of the executives receive management salaries that were reimbursable by the Commission?"

"The executives . . . were reimbursed in a manner agreed to by the Commission."

"And that was with Government funds?" McCone was asked.

"That is correct."

"With material supplied by the Government, with labor paid for by the Government, with interest on borrowed capital paid for by the Government, with management salaries paid for by the Government, what were the fees and profits paid for?"

"For the building of ships," replied McCone, without batting an eye.

The House Merchant Marine Committee also developed the fact that the Government had turned over to McCone, Kaiser et al., all of the Government's materials, machinery, and other facilities located at the shipyard estimated as worth about \$14 million.

"The Government put in \$25 million to the building of this yard," counsel Coles asked. "At the time of the

shipbuilding material in California Shipbuilding Co.'s yards?"

"There was," was McCone's laconic reply.

Coles asked if the value of \$14 million was accurate.

"That might have been the original cost of it, but a large percentage of it was nothing."

"Did you pay any money for this shipyard and the surplus property in the yard when you acquired it from the Government?" Coles asked.

"We relieved the Maritime Commission of all their obligations and responsibilities for the restoration of the site that was owned by the Los Angeles Harbor Board," was McCone's reply.

## More Gravy

"Did you receive in addition to this yard that had cost \$25 million and this material which may have cost \$14 million, an additional sum of \$2.5 million in cash?" pressed Coles.

"No," replied McCone, "but we did receive a revision of our selective price contract under which the amount of recapture was reduced by \$2.5 million."

"So in effect you got an additional \$2.5 million, did you?"

"You might put it that way," finally admitted the president of the shipping company.

Rep. Alvin Weichel, Ohio Republican, also brought out the fact that McCone-Kaiser reduced their income taxes \$4 million in nonreimbursable

expenses, which McCone said was given away in salary bonuses, charities, group insurance premiums, and ship-launching expenses.

"Did you give away \$5000 diamond necklaces?" asked Congressman Weichel.

"No, we gave \$60 cigarette boxes," replied McCone, adding that the top gift was \$800 to a ship sponsor.

Summarizing the facts, McCone's fellow Republican, Congressman Weichel, said: "The total number of ships you built was 467. The plant cost the Government \$25 million. There was \$14 million worth of property there when it was finished and you got \$2.5 million credit. That is roughly \$41 million . . ."

Adding in some other figures and making a quick calculation, Weichel concluded:

"Altogether your company got \$91 million for building 467 ships. Roughly, without the deduction of taxes, it cost the Government nearly \$200,000 in fees for each ship built by your company."

"The Todd (shipbuilding) people," Congressman Weichel pointed out, "had roughly \$11 million in fees and the plant cost about \$14 million. Theirs was about half the cost to the Government. Yours was \$200,000 per ship."

That was how John A. McCone, now nominated to be head of CIA, got his big start up the business ladder to big Government jobs and more profits in business.

Thursday, January 25, 1962

# Daily Digest

## HIGHLIGHTS

Both Houses received President's reciprocal trade message.

Senate passed bill to establish Great Basin National Park.

## Senate

### Chamber Action

*Routine Proceedings, pages 732-763*

**Bills Introduced:** 11 bills and 13 resolutions were introduced, as follows: S. 2740-2750; and S. Res. 274-286.

Pages 737-738

**Bills Reported:** Reports were made as follows:

S. Res. 234, authorizing \$90,000 for Committee on Aeronautical and Space Sciences to investigate matters pertaining to aeronautical and space activities (S. Rept. 1127);

S. Res. 238, authorizing \$185,000 for Special Committee on Aging and extending to January 31, 1963, time for filing its final report (S. Rept. 1128);

S. Res. 242, authorizing \$100,000 for expenditures of Committee on Interior and Insular Affairs (S. Rept. 1129);

S. Res. 243, authorizing \$125,000 for expenses of the Committee on Public Works (S. Rept. 1130);

S. Res. 244, providing \$107,000 for Committee on Banking and Currency to investigate matters relating to public and private housing (S. Rept. 1131);

S. Res. 246, authorizing \$160,000 for continuation of foreign policy studies by Committee on Foreign Relations (S. Rept. 1132);

S. Res. 247, authorizing \$5,000 for expenses by Committee on Foreign Relations for the reception of foreign dignitaries (S. Rept. 1133);

S. Res. 249, providing \$125,000 as additional funds for Committee on Small Business (S. Rept. 1134);

S. Res. 250, authorizing \$400,000 for Committee on Government Operations for expenses of its Permanent Subcommittee on Investigations (S. Rept. 1135);

S. Res. 252, authorizing Committee on Labor and Public Welfare to employ staff personnel (S. Rept. 1136);

S. Res. 256, providing \$115,000 for Committee on the Judiciary to study administrative practice and procedure (S. Rept. 1137);

S. Res. 257, providing \$26,000 for Committee on the Judiciary to make a study of revision and codification of statutes of U.S. (S. Rept. 1138);

S. Res. 258, providing \$450,000 for Committee on the Judiciary to investigate antitrust and monopoly laws (S. Rept. 1139);

S. Res. 259, providing \$48,500 for Committee on the Judiciary to study matters pertaining to constitutional amendments (S. Rept. 1140);

S. Res. 260, providing \$140,000 for Committee on the Judiciary to investigate matters pertaining to constitutional rights (S. Rept. 1141);

S. Res. 261, providing \$7,500 for Committee on the Judiciary to consider all matters pertaining to Government charters, holidays, and celebrations (S. Rept. 1142);

S. Res. 262, providing \$90,000 for Committee on the Judiciary to study and examine the Federal judicial system (S. Rept. 1143);

S. Res. 263, providing \$125,000 for Committee on the Judiciary to study matters pertaining to immigration and naturalization (S. Rept. 1144);

S. Res. 264, providing \$325,000 for Committee on the Judiciary to investigate administration, operation, and enforcement of the Internal Security Act (S. Rept. 1145);

S. Res. 265, providing \$178,000 for Committee on the Judiciary for investigation of juvenile delinquency (S. Rept. 1146);

S. Res. 266, providing \$5,000 for Committee on the Judiciary to investigate national penitentiaries (S. Rept. 1147);

S. Res. 267, providing \$120,000 for Committee on the Judiciary to examine and review the administration of the Patent Office (S. Rept. 1148);

S. Res. 270, providing \$220,000 for Committee on Armed Services to investigate matters pertaining to the national defense (S. Rept. 1149);

S. Res. 245, to print additional copies of hearings entitled "Relationship Between Teamsters Union and Mine, Mill, and Smelter Workers" (S. Rept. 1150);

S. Res. 248, to print additional copies of S. Doc. 59 of the 87th Congress on "The Communist Party Line" (S. Rept. 1151);

S. Res. 233, authorizing \$80,000 for Committee on Banking and Currency for investigation of matters

within its jurisdiction, with an amendment (S. Rept. 1152);

S. Res. 269, authorizing \$25,000 for Committee on Interior and Insular Affairs for national fuels policy study, with amendment (S. Rept. 1153);

S. Res. 286, authorizing \$150,000 for Committee on Rules and Administration to make a study of matters within its jurisdiction concerning privileges and elections (S. Rept. 1154);

S. 512, to extend the time for completion of the free highway bridge between Lubec, Maine, and Campobello Island, New Brunswick, Canada (S. Rept. 1155);

S. Res. 274, relative to the presentation of evidence in the trial of Metro Holovachka in the U.S. District Court for the Northern District of Indiana (no written report);

S. Res. 276, authorizing \$90,000 for Committee on Government Operations to study interagency coordination, economy, and efficiency (no written report)—referred to Committee on Rules and Administration;

S. Res. 277-285, authorizing payments of gratuities to survivors of deceased Senate employees (no written reports). Pages 735-737

**Bill Referred:** One House-passed bill was referred to appropriate committee. Page 734

**President's Message—Trade:** President's message recommending enactment of Trade Expansion Act of 1962 was received and referred to Committee on Finance. Pages 773-777

**Trial Evidence:** Senate adopted S. Res. 274, relative to the presentation of evidence in the trial of Metro Holovachka in the U.S. District Court for the Northern District of Indiana. Page 734

**Great Basin National Park:** Senate passed with committee amendments S. 1760, to establish the Great Basin National Park in Nevada. Motion to reconsider this action was tabled. Pages 763, 777-785

**Private Bill:** H.R. 6025, a private bill, was passed with committee amendment. Motion to reconsider its passage was tabled. Pages 785-786

**Lincoln Boyhood Memorial:** Senate insisted on its amendments, agreed to conference requested by House, and appointed the following conferees on H.R. 2470, to provide for establishment of the Lincoln Boyhood National Memorial in the State of Indiana: Senators Bible, Anderson, Gruening, Dworshak, and Allott. Page 791

**California Harbor:** H.R. 157, changing the name of the Playa del Rey Inlet and Harbor, Venice, Calif., to the Marina del Rey, Los Angeles, Calif., was passed without amendment. This action cleared the bill for the President's signature. Pages 786, 808

**Public Lands—Wyoming:** Senate made its unfinished business H.R. 3879, conveying to the State of Wyoming certain real property in Sweetwater County. Page 808

**Treaties Reported:** The following two treaties were reported:

International Convention for the Northwest Atlantic Fisheries (Ex. M, 87th Cong., 1st sess.) (Ex. Rept. 1, 87th Cong., 2d sess.); and

Protocol Relating to an Amendment to the Convention on International Civil Aviation, dated at Montreal, June 21, 1961 (Ex. N, 87th Cong., 1st sess.) (Ex. Rept. 2, 87th Cong., 2d sess.). Page 750

**Nominations:** The following nominations were received: C. Allan Stewart, of Arizona, to be Ambassador to Venezuela; John M. Steeves, of D.C., to be Ambassador to Afghanistan; Harold C. Woodward, of Illinois, to be member of FPC; Francis A. O'Neill, Jr., of New York, to be member of National Mediation Board; Kenneth H. Tuggle, of Kentucky, to be an Interstate Commerce Commissioner; Andrew M. Bacon, of Louisiana, to be Comptroller of Customs; two other civilian nominations; and numerous nominations in the Public Health Service, and in the Army. Pages 817-820

**Program for Monday:** Senate met at noon and adjourned at 4:21 p.m. until noon Monday, January 29, when it plans to consider nominations of John A. McCone, to be Director of Central Intelligence, and Fred Korth, to be Secretary of the Navy. On Monday or Tuesday, Senate will consider S. 1241, higher education. Page 817

*Confirmation  
Committee Meetings file*

(Committees not listed did not meet)

#### MILITARY CENSORSHIP

**Committee on Armed Services:** Special Preparedness Subcommittee continued its hearings on military cold war education activities and censorship of military speeches, having as it witnesses Adm. Arleigh A. Burke, former Chief of Naval Operations, and Gen. Thomas D. White, former Air Force Chief of Staff.

Hearings were adjourned subject to call.